

**PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA**

**ENERGY DIVISION**

**RESOLUTION O-0064**  
**May 26, 2016**

**R E S O L U T I O N**

Resolution O-0064. Mobil Pacific Pipeline Sale of CPUC  
Jurisdictional Pipeline Assets to Torrance Basin.

**PROPOSED OUTCOME:**

- Approves the request of Torrance Basin to become a California regulated pipeline entity.
- Approves the sale of 22 miles of petroleum pipeline to Torrance Basin.

**SAFETY CONSIDERATIONS:**

- There are inherent risks in the transportation of crude oil.
- The use of crude oil produces harmful emissions.
- It is the utility's responsibility to adhere to all Commission rules, decisions, General Orders, and statutes including Public Utility Code Section 451 to take all actions "...necessary to promote the safety, health, comfort, and convenience of its patrons, employees and the public."
- Safety responsibility for intrastate oil pipelines is under the jurisdiction of the Office of the State Fire Marshal and the Pipeline & Hazardous Materials Safety Administration.

**ESTIMATED COST:**

- Costs associated with the new service are the same as those for existing transportation services on the Mobil Pacific Pipeline System.

By Advice Letter 23-O, Filed on February 4, 2016.

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**SUMMARY**

This Resolution approves the sale and transfer of Mobil Pacific Pipeline's (Mobil) California Public Utilities Commission (CPUC) jurisdictional assets to Torrance

## Mobil Pacific Pipeline &amp; Torrance Basin AL 23-O/mk3

Basin (Torrance). This resolution further approves the request of Torrance to become a CPUC regulated pipeline transportation company.

**BACKGROUND**

On February 4, 2016, Mobil Pacific Pipeline and Torrance Basin Pipeline Company jointly filed AL 23-O. The AL filing requested that Torrance be recognized as a CPUC jurisdictional Pipeline Company and that Torrance be allowed to acquire Mobile Pacific's CPUC jurisdictional pipeline assets.

AL 23-O proposes the sale of two small pipeline systems in Southern California; the fourteen mile eight and ten inch M-31 pipeline from the Torrance refinery to CRC Long Beach, and the eight mile eight and ten inch L-42 pipeline from the Torrance Refinery to Kinder Morgan Carson terminal. Torrance Basin has stated an intent to adopt the existing tariff rates for the pipelines at issue.

**NOTICE**

Notice of AL 23-O was made by publication in the Commission's Daily Calendar. Mobil Pacific Pipeline states that a copy of the Advice Letter was mailed and distributed in accordance with Section 4 of General Order 96-B.

**PROTESTS**

Advice Letter AL 23-O was not protested.

**DISCUSSION**

**Mobil AL 23-O is approved.** Mobil and Torrance have made an appropriate showing the Torrance can safely operate the pipeline segments in question, and have represented that the sale is reasonable and in the public interest. The sale is allowable under California Public Utilities Code Section 851,<sup>1</sup> and the matter is unopposed. In addition, Torrance has stated that they will adopt Mobil's current tariffs.

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1. <sup>1</sup> All further statutory references are to the California Public Utilities Code unless stated otherwise.

**Public Utilities Code Section 851 requires Commission approval of any sale of a regulated utility property which is necessary or useful in the performance of its duties to the public.**

Public Utilities Code Section 851 states that “A public utility... shall not sell, lease, assign, mortgage, or otherwise dispose of, or encumber the whole or any part of its railroad, street railroad, line, plant, system, or other property necessary or useful in the performance of its duties to the public... with any other public utility, without first having... for qualified transactions valued at five million dollars (\$5,000,000) or less, filed an advice letter and obtained approval from the commission authorizing it to do so. If the advice letter is uncontested, approval may be given by the executive director or the director of the division of the commission having regulatory jurisdiction over the utility.”<sup>2</sup>

AL 23-O contemplates such a sale. The acquisition of the Mobil CPUC-regulated pipeline system is part of a transaction in which PBF Holding Company is acquiring, through certain of its subsidiaries, the Torrance Refinery and related terminals, pipelines, and logistics facilities in an asset sale by Mobil and ExxonMobil Oil Corporation. Mobil Pacific Pipeline states that, while the total value of the sale contemplated therein was \$537,500,000, the net book value of the CPUC jurisdictional assets is only \$3,202,290.<sup>3</sup>

AL 23-O was not protested and is thus an uncontested matter.

**Torrance Basin has made an appropriate showing that it is able to operate intrastate petroleum transportation pipelines in California.**

In response to Energy Division Data Requests, Torrance Basin made a reasonable showing that the company has the appropriate experience to safely operate a CPUC jurisdictional petroleum pipeline in California, subject to all applicable regulations.

Torrance Basin stated that:

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<sup>2</sup> California Public Utilities Code Section 851

<sup>3</sup> MPPL AL 23-O, at pp. 4.

Operations will be conducted by Torrance Logistics Company LLC. The parent, PBF Energy Inc., has three indirect wholly-owned subsidiaries, Delaware Pipeline Company LLC, Paulsboro Natural Gas Pipeline Company LLC and MOEM LLC, which, respectively, own and operate a petroleum products pipeline, a natural gas pipeline and a crude oil pipeline. The pipelines in Delaware and New Jersey have been operated by PBF Energy for over five years and MOEM has been operated by PBF Energy since its acquisition from ExxonMobil and PDVSA in November 2015. In November 2015, PBF also acquired an 80% ownership interest in Collins Pipeline Company from ExxonMobil and PDVSA, and has been the operator of its petroleum products pipeline. Each of the pipelines is Federally-regulated and has an FERC tariff. Further, Torrance Logistics' operations, and therefore the pipeline, will be managed by the same management team responsible for PBF's existing pipeline operations and most of the employees of the current pipeline operator will become PBF employees and will continue with Torrance Basin Pipeline after the transaction is approved and closed.<sup>4</sup>

Torrance Basin has also stated that it is in the process of receiving the relevant local franchise agreements. Torrance stated that:

ExxonMobil has six franchise agreements that need to be reassigned to Torrance Basin and the Parties have already begun reaching out to the relevant regulatory agencies for meetings to discuss reassignment. Most of these franchise agreements cannot be assigned until after a bill of sale has been executed, which will not occur until closing. At the direction of these agencies, packages are being prepared that will be submitted for approval following the closing. Once submitted, these packages will go through a three phase approval process with the regulatory agency involving (1) a notice of intent to assign, (2) a public hearing, and (3) a final reading.<sup>5</sup>

Finally, Torrance will adopt Mobil's current tariffs.

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<sup>4</sup> Mobil Pacific Pipeline Company's and Torrance Basin Pipeline Company's Joint Response to California Public Utilities Commission Legal Division's Data Request 1.

<sup>5</sup> Ibid.

Given the factors discussed above, the Commission approves AL 23-O.

### **COMMENTS**

This is an uncontested matter in which the resolution grants the relief requested. Accordingly, pursuant to PU Code 311(g)(2), the otherwise applicable 30-day period for public review and comment is being waived.

### **FINDINGS**

1. Mobil Pacific Pipeline and Torrance Basin have represented that the sale contemplated in AL 23-O is reasonable and in the public interest.
2. Mobil AL 23-O meets the requirements of Public Utilities Code Section 851.
3. Torrance Basin has agreed to adopt the existing tariffs for the pipelines being sold.
4. Torrance Basin has made an adequate showing that that it can reasonably operate a CPUC jurisdictional petroleum pipeline in California, subject to all applicable regulations.
5. This Resolution does not speak to the rate increases at issue in Mobil AL-22, which are under consideration elsewhere, subject to Public Utilities Code § 455.3.

### **THEREFORE IT IS ORDERED THAT:**

1. The request of the Torrance Basin to become a CPUC regulated intrastate petroleum pipeline operator is approved.
2. The sale of Mobil Pacific pipelines CPUC jurisdictional assets to Torrance Basin is approved.
3. Within 15 days of this decision, Torrance Basin shall file a Tier 1 Advice Letter adopting the currently existing tariffs, effective as of the date of the transfer of the newly acquired pipelines.
4. As soon as is practicable Mobil and Torrance basin should complete the reassignment of the appropriate local franchise agreements to Torrance Basin.

This Resolution is effective today.

I certify that the foregoing resolution was duly introduced, passed and adopted at a conference of the Public Utilities Commission of the State of California held on May 26, 2016; the following Commissioners voting favorably thereon:

/s/ TIMOTHY J. SULLIVAN  
TIMOTHY J. SULLIVAN  
Executive Director

MICHAEL PICKER

President

MICHEL PETER FLORIO

CATHERINE J.K. SANDOVAL

CARLA J. PETERMAN

LIANE M. RANDOLPH

Commissioners